

**INDIA MORTGAGE GUARANTEE CORPORATION  
PRIVATE LIMITED**

**ANNUAL REPORT  
2021-2022**



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<b>I. <u>CORPORATE INFORMATION</u></b>	
●	<b>BOARD OF DIRECTORS</b> : Mr. Stuart Edward Take Mr. Rajinder Singh Mr. Raj Vikash Verma Mr. Harun Rasid Khan Mr. Srinivasan Sridhar Mr. Rahul Bhawe Mr. Stuart Kendrick Levings <i>(from June 09, 2022)</i> Mr. Aditya Hemant Joshi <i>(from June 09, 2022)</i>
●	<b>CHIEF EXECUTIVE OFFICER</b> : Mr. Mahesh Misra
●	<b>CHIEF FINANCIAL OFFICER</b> : Mr. Amit Bhachawat
●	<b>COMPANY SECRETARY</b> : Ms. Arpita Banerjee
●	<b>REGISTERED OFFICE</b> : T-10, Third Floor, Plot No.9, H.L.Plaza,Pocket-2, Sector-12, Dwarka, Delhi – 110075
●	<b>CORPORATE OFFICE</b> : 4th Floor, Unit No. 405, World Trade Tower, C-1, Sector-16, Noida - 201301, Uttar Pradesh
●	<b>BASIC DETAILS</b> : <b>CIN - U65922DL2006FTC153640</b> <b>Contact No. - +91-120-4898 000</b> <b>E-mail id – info@imgc.com</b> <b>Website – <a href="http://www.imgc.com">www.imgc.com</a></b>
●	<b>STATUTORY AUDITOR</b> : M/s. SCV & Co. LLP
●	<b>REGISTRAR AND SHARE TRANSFER AGENT</b> : KFin Technologies Private Limited Karvy Selenium Tower-B, Plot no. 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad (A.P.) – 500032

## **II. MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **Macroeconomic Outlook**

The year witnessed a rebound in economic activity due to rapid progress in vaccination coverage. Although the second wave of the pandemic in April-June 2021 was more severe from a health perspective, the economic impact of it was muted compared to the first. There were no nation-wide lockdowns and many businesses were geared to work in the pandemic situation. The GDP growth (YoY) of 8.7% in FY 2021-22 confirms the sustained momentum of GDP growth after the contraction of GDP in previous year due to first wave.

There have been green shoots pointing to economic recovery. Investment and exports have achieved more than full recovery of corresponding pre-pandemic FY 2019-20 levels. Private consumption has also improved to pre-pandemic levels. These estimates confirm strengthening of economic recovery on the back of rising capex in public sector, increasing resilience of India's exports, investment cycle uptick and improved consumption levels.

These gains are, however, at risk from disruptive spill overs from geo-political hostilities as increasingly evident in inflationary trends. Choked supplies and mounting commodity prices, especially of food and energy, have stoked inflationary pressures across the economy. Elevated crude oil prices are driving up India's import bill as the Russia-Ukraine conflict has accentuated supply-side concerns. The country's retail inflation accelerated to an eight-year high of 7.79 % in April 2022. The latest inflation rate remains above the RBI's comfort zone of 2-6 per cent. To counter the inflation, RBI has increased the repo rate by 90 basis points in two sequential rate hikes within a span of less than 40 days. Further rate hikes may be expected in the upcoming quarters.

Though India's macroeconomic fundamentals remain strong, unfolding global developments and inflationary pressure pose near-term challenges for the economy.

### **Banking Sector**

Despite the pandemic, asset quality in the banking sector has improved. According to data released by the Reserve Bank of India (RBI), the gross non-performing asset ratio (GNPA) for scheduled commercial banks (SCBs) decreased to 6.9% as at the end of September 2021 from 7.3% in March 2021, and 8.2% in FY20, due to lower slippages. With the decline in delinquencies, the provisioning requirements of banks have also dropped and the net NPA ratio of both public and private sector lenders decreased to 3.1% and 1.4% in FY21, from 3.7% and 1.5% in FY20, respectively. On the capital side, the capital to risk-weighted assets ratio (CRAR) of SCBs improved sequentially every quarter from end-March 2020 to reach 16.6% at the end of September 2021.

### **Credit-growth**

Banks' credit growth was 9.6% in FY22 against a 5.6% growth in FY21. FY22 saw the adverse effects of the pandemic until September 2021, followed by a turnaround in credit, especially to industry and retail, from October 2021. The recovery in credit was driven by the private sector banks, which accounted for a little over half of the credit growth (50.4%) with public sector banks contributing 44.7%.

### **Mortgage Credit Growth\***

Banks ( INR Billion)	2021									2022		
	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Housing Loans	14588	14594	14640	14631	14697	14785	14852	14902	15214	15530	15781	15893
Priority Sector Loans	4728	4711	4709	4705	4707	4461	4457	4448	4686	4807	4876	4936

Note: SCB's only

\*Source: Monthly RBI Bulletin

Mortgage outstanding book of banks grew by ~6.4% in FY22 compared to ~10% in FY21 and ~15% in FY20. Priority sector lending has been declining year on year as a percentage of total outstanding (In Mar22 it was 31%; down from ~34% in Dec20, ~35% in Dec19; ~37% in Dec18, ~40% in Dec17, ~44% in Dec16 and ~57% in Dec13).

**Rates of key lenders in May 2022**

	May-20	May-21	May-22
State Bank of India	7.35-7.85%	6.80-7.65%	6.65-7.55%
ICICI Bank	7.70-8.80%	6.75-7.55%	7.10-7.95%
HDFC	7.35-7.95%	6.75-7.85%	7.00-7.60%
LIC Housing Finance	7.50-8.50%	6.90-7.90%	6.95-8.15%

**Residential Market: Update**

Despite the continued cyclical upswings and downswings of the COVID-19 pandemic, the Indian real estate sector remained largely resilient. Quarterly sales and new launch volumes witnessed a momentary dip in Q1 FY22 due to covid wave 2, but it recovered quickly and almost touched the pre-covid levels. This was driven primarily by factors such as multi-year low interest rates, demand for more residential space on account of shift to hybrid working model, and pent-up demand.

**Key Highlights:**
**Sales**

- Total sales in FY22 increased by 32% as compared to FY21.
- Homebuyers are more inclined to acquire ready or near-ready inventory to minimize completion risk.
- The share of sales in the INR 10+ MM ticket-size grew to 25% in Q4FY2022 (up from 18% a year ago).

**New Launches**

- Total launches in FY22 increased by 40% as compared to FY21.
- NCR witnessed highest growth – No of units launched in Q4FY22 was seven times of Q4FY21, while Pune witnessed maximum decline – new launches in Q4FY22 were half of that in Q4FY21.

**Price**

- Price decline in most markets was arrested by end of Q3FY2022. The market seems to have turned a corner with all cities posting a YoY growth in per sq ft prices during Q4FY2022.
- Prices grew the most in Bengaluru at 7% YoY followed by Pune and Mumbai at 5% and 4% YoY respectively during Q4FY2022.

**Outlook**

- RBI hiked the benchmark lending rate by 90 basis points in two sequential rate hikes within a span of less than 40 days to contain inflation. Hike in interest rates is likely to impact the growth of real estate industry and may hit the housing demand.
- Property prices is speculated to increase by 10-15 per cent in calendar year 2022. Major factors impacting the prices rise will be increase in construction cost, rise in land cost and the credit cost due to interest rate hikes.



## BOARD'S REPORT

To,

The Members,  
**India Mortgage Guarantee Corporation Private Limited**

Your Board of Directors are pleased to present their Sixteenth Annual Report on the business and operations of India Mortgage Guarantee Corporation Private Limited (“**IMGC**” or “**Company**”) together with the audited financial statements for the financial year ended March 31, 2022.

### FINANCIAL RESULTS

The financial performance of the Company for the year ended March 31, 2022, is summarized below:

Figures in INR (000's)

Particulars	Year ended March 31, 2022	Year ended March 31, 2021
Mortgage Guarantee Fee	2,82,777	2,15,749
Processing Fee	210	358
Other operating revenue	1,88,001	1,68,440
Other Income	426	1,479
<b>Total revenue</b>	<b>4,71,414</b>	<b>3,86,026</b>
Operating Expenditure	4,50,115	4,43,952
Mortgage Guarantee Provisions	1,49,348	1,85,415
<b>Total expenses</b>	<b>5,99,463</b>	<b>6,29,367</b>
Loss before Tax	1,28,049	2,43,341
Earlier year tax adjustment	(1,506)	-
<b>Loss for the Year</b>	<b>1,26,543</b>	<b>2,43,341</b>
Contingency Reserve	1,13,111	86,300
<b>Balance carried to Balance Sheet</b>	<b>2,39,653</b>	<b>3,29,641</b>

### OPERATING AND FINANCIAL PERFORMANCE

During the year, the Company guaranteed loans amounting to INR 3,667 Cr which was the highest ever volume and 50% more than the previous year. (Volume Breakup- LICHFL INR- 2160 Cr, AXIS BANK- INR 668 Cr, ABHFL- INR 441 Cr, ICICI- INR 173 Cr, HHFL INR- 142 Cr).



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As at March 31, 2022 the Company has issued mortgage guarantees (since inception) covering loans, amounting to INR 15,178 Cr, with outstanding guarantee exposure of INR 2,095 Cr.

During the year under review, the Company recognized mortgage guarantee fees of INR 28.3 Cr as revenue. The Company also earned an income of INR 18.8 Cr from the funds invested by it in various fixed income instruments in accordance with the Mortgage Guarantee Companies (Reserve Bank) Directions, 2016 (updated on 05<sup>th</sup> October, 2021).

The overall operating expenses for the year remained nearly flat at INR 45 Cr (compared to INR 44.4 Cr in previous year) despite a 50% growth in business volumes. The Company increased headcount by 18% to support growth plans contributing to an increase in the compensation cost. However, other operating expenses were managed tightly.

Provisions on Mortgage Guaranteed Loans during the year were lower than the previous year by INR 3.6 Cr as loan delinquencies tapered down from July 2021 onwards after touching a high of 2.7% in first quarter of the year.

The net loss of the Company for the year is INR 12.7 Cr, which is 48% lower than the net loss of INR 24.3s Cr in the previous year.

The Company has also created a Contingency Reserve and continues to appropriate a percentage of mortgage guarantee fee earned to it every year in accordance with the RBI guidelines.

#### **STATE OF COMPANY'S AFFAIRS AND FUTURE OUTLOOK**

The year witnessed strong volume and the Company achieved its highest ever volume and a growth of ~49% over the previous year (FY22 volume- INR 3,667 Cr vs INR 2,465 Cr in FY21). The volumes in March 2022 were INR 562 Cr, which was the highest guarantees written in a month. The Company managed to scale up volumes significantly with its top 2 lenders (LIC Housing Finance witnessed a growth of 69% - INR 2,160 Cr vs INR 1280 Cr and Axis Bank grew by 61% - INR 668 Cr vs INR 414 Cr. ICICI Bank paused its business with the Company from Aug 2021 due to internal decisions. The Company signed up 2 new lenders during the year: Muthoot Homefin (India) Limited and Clix Housing Finance Limited.

The on-boarding of new lenders proved difficult during the pandemic. While several branch offices resumed working from offices, central teams continued to work remotely. This impacted engagement and delayed decision making for new initiatives. The last quarter of FY 22 saw IMGC make strong progress with 5-6 potential lenders. They are expected to sign up in the first 2 quarters on FY 22-23.

The second wave of Covid impacted the portfolio adversely in Q1 and Gross NPA levels increased to INR 272 Cr in June 2021 compared to INR 195 Cr in Mar 2021. However, NPA levels stabilised from July 2021 onwards and then tapered down to reach at INR 238 Cr in Mar 2022. The gross NPA ratio at year end was at 2.3% which was same as the last year. The book under repayment moratorium/restructuring saw an increase and reached to 0.7% of the portfolio by year end. A portion of the restructured accounts is likely to spill over to delinquency once the moratorium/restructuring period gets over. However, the Company has witnessed a healthy recovery rate (nearly 50%) of loans where the restructuring period is complete, and repayments normalised. Nevertheless, the Company is adequately capitalised to meet any unforeseen increase in delinquencies and claim payments. Stress Testing and a Liquidity Management framework is also in place.

To keep pace with its growth, the Company moved its IT infrastructure to Microsoft Azure's Cloud during the year. Few automation measures to improve underwriting efficiency were also executed. This enabled average underwriter productivity increase to 7.5 loans per day versus 6 earlier. To further improve underwriting efficiency, work on a Business Rule Engine was initiated in FY 22 and the first phase for the same, which takes care of collateral appraisal of 3 lenders, has been launched in May 2022. The Company has also initiated the next level of claims automation process. This year the focus will be to drive more technological capabilities leading to efficiency gains and customer delight. Underwriting efficiency and sharpened technological capabilities will stay at centre of plate in coming months.

The Quality Assurance function remains strong, and a close monitoring of underwriting standards takes place regularly.



The industry experienced a high attrition rate (up to 50%) after the economy started to normalise and gradually scale up post Covid. During the year, Company's employee attrition (voluntary) increased to 25% compared to 18% in the previous year. The Company continued to invest on developing capabilities in areas like risk analytics, business development, collateral evaluation, and other specialised functions. The Company will continue to recruit and nurture high quality talent as it builds scale.

In FY22-23, the Company expects to guarantee loans worth INR 8,000 crores. This projection is on back of strong exit momentum in Q4FY22 and the active pipeline of new lenders. The heightened risk perception after Covid also provides an opportunity to increase market coverage. Economic uncertainty and early signs of portfolio stress have seen renewed engagement. Farming existing lenders provides massive opportunity. This includes lenders like Piramal Housing who have acquired DHFL and plan to scale up significantly in the affordable housing segment. There is multi-pronged engagement with SBI, HDFC and ICICI Bank to revive dormant commercial arrangements.

The Company will get a shot in the arm if lenders get some regulatory dispensation for usage of Mortgage Guarantee. Periodic representations continue to be made to the RBI. The RBI continues to stay engaged and we hope for a positive disposition. Interaction with other stakeholders like Ministry of Finance, Ministry of Housing, Indian Banks' Association etc are also being stepped up to create a favourable advocacy platform.

The focus on maintaining the highest standards of governance will continue unabated.

On 8 June 2022, the Company onboarded Sagen International Holdings, Inc. subsidiary of Sagen MI Canada Inc, as a strategic investor for its next phase of growth. This investment is a strong endorsement of the business model. We look forward to leverage Sagen's global experience to drive innovation and transformation to further deepen the mortgage guarantee market in India. We are encouraged by the trust placed in us to actively participate in our growth journey.

#### **TRANSFER TO RESERVES**

Pursuant to guidelines issued by Reserve Bank of India, the Company is required to transfer 20% of its profits to the Reserves in terms of section 45-IC (1) of the Reserve Bank of India Act, 1934. In the absence of any profits for the FY ended March 31, 2022, there is no requirement on the part of the Company to transfer any amounts to the said Reserve.

#### **DIVIDEND**

Due to losses in FY 2021-22, as per the provisions of the Companies Act, 2013 and rules made thereunder, your Directors declare their inability to declare any dividend for the financial year March 31, 2022.

#### **TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION PROTECTION FUND**

The Company has not declared any dividend in the past and there is no unclaimed dividend pending, which is required to be transferred to Investor Education Protection Fund by the Company as per the provisions of Section 125 of the Companies Act, 2013.

#### **PUBLIC DEPOSITS**

Your Company has neither invited nor accepted any deposits from public within the meaning of Section 73 of the Companies Act, 2013 read with Companies (Acceptance of Deposits) Rules, 2014 during the FY 2021-22.

#### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Detailed information on the operations of the Company is covered in the Management Discussion and Analysis Report and forms part of this Annual Report for the year ended 31<sup>st</sup> March 2022.

#### **SHARE CAPITAL**

The Authorised Equity Share Capital of the Company as on 31<sup>st</sup> March, 2022 was INR 7,50,00,00,000 (Indian Rupees Seven Hundred and Fifty ss Only) divided into 50,00,00,000 (Fifty Crores) Equity Shares of INR 10/- (Indian Rupees Ten) each amounting to INR 5,00,00,00,000 (Indian Rupees Five Hundred Crores Only) and 25,00,00,000 (Twenty Five Crores) Preference Shares of INR 10/- (Indian Rupees Ten) each amounting to INR 2,50,00,00,000





(Indian Rupees Two Hundred and Fifty Crores Only). The issued, subscribed, and paid-up Equity Share Capital of the Company as on 31<sup>st</sup> March 2022 was INR 2,56,37,37,470 divided into 25,63,73,747 Equity Shares of INR 10/- each, which was held by Genworth Financial Mauritius Holdings Private Limited (48.68%), National Housing Bank (29.64%), International Finance Corporation (10.84%) and Asian Development Bank (10.84%).

After the end of financial year under review, the paid-up Equity Share capital of the Company has increased by INR 1,17,31,37,900 post infusion of capital by Sagen International Holdings, Inc. and allotment of shares by the Board on 8<sup>th</sup> June 2022. The revised paid-up Equity Share capital of the Company is INR 3,73,68,75,370 divided into 37,36,87,537 Equity Shares of INR 10/- each held by Genworth Financial Mauritius Holdings Private Limited (33.39%), Sagen International Holdings, Inc. (31.39%), National Housing Bank (20.34%), International Finance Corporation (7.44%) and Asian Development Bank (7.44%).

### **CAPITAL ADEQUACY RATIO**

As per RBI guidelines, a Mortgage Guarantee Company is required to maintain capital at higher of the following:

- (a) Ten percent (10%) of aggregate on balance sheet risk weighted assets and risk adjusted value of off-balance sheet items or,
- (b) Net owned fund of INR 100 Cr

We confirm that the Net Owned Funds as per the financials as on March 31, 2022, is INR 123.6 Cr and is well within the prescribed limit. We further confirm that the Net worth as per the financials as on March 31, 2022, is INR 130.1Cr.

### **CREDIT RATING**

The Company enjoys the following issuer ratings from the two credit rating agencies:

<b>Rating Agency</b>	<b>Rating Assigned</b>
Credit Analysis and Research Limited	CARE AA (Is); (Stable) (pronounced Double A Stable)
ICRA Limited	ICRA AA (Negative) (pronounced ICRA Double A negative)

### **STATUTORY AND REGULATORY COMPLIANCE**

The Company has complied with all the applicable statutory provisions, rules, regulations, directions and notifications, including those of the Companies Act, 2013 and rules thereunder and the Income Tax Act, 1961. Further, during the year the Company has complied with all applicable RBI directions, circulars and notifications including Master Direction - Mortgage Guarantee Companies (Reserve Bank) Directions, 2016, Master Direction - Non-Banking Financial Company –Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 except for composition of Audit Committee with a Chartered Accountant as a member of the Committee (Refer Note 3.35 to financial statements).The Company has also complied with accounting standards issued by the Institute of Chartered Accountants of India.

Pursuant to the Non-Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 2016, the Company has received a report from the Statutory Auditors to the Board of Directors of the Company and the Company continues to fulfil all the norms and standards laid down thereunder by RBI.

### **COMPLIANCE WITH SECRETARIAL STANDARDS**

Pursuant to the approval from the Ministry of Corporate Affairs, the Institute of Company Secretaries of India (ICSI) has on April 23, 2015 notified the Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) effective from July 01, 2015 and revised version effective from October 01, 2017. The Company is fully compliant with the same.



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### **SUBSIDIARY/JOINT VENTURE/ASSOCIATE COMPANY**

The Company has no subsidiary, associate and Joint Venture Company and therefore no information is required to be reported.

### **DIRECTORS**

As on March 31, 2021, the Board of the Company comprised of 6 (Six) Non-Executive Directors nominated by the shareholders of the Company. The composition of the Board is in conformity with the Companies Act and other applicable laws. During the year, no Director has been appointed, re-appointed, replaced or resigned from the Board of the Company.

Due to the recent changes in the shareholding of the Company, two new directors nominated by Sagen, Mr. Stuart Kendrick Levings (DIN:0009425946) and Mr. Aditya Hemant Joshi (DIN:08684627) has been appointed as Non-Executive Directors w.e.f. 09-06-2022 on the Board of the Company.

### **DECLARATION BY INDEPENDENT DIRECTORS**

The Company being a private limited company is not required to appoint Independent Directors and therefore, declaration by Independent Directors under Section 149 of the Companies Act, 2013 is not applicable.

### **POLICY ON DIRECTORS' APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF DUTIES**

The Company being a private limited company is not required to comply with the requirement of Section 178 of the Companies Act, 2013, which provides for constitution of nomination and remuneration committee and setting up policy for directors' appointment, payment of remuneration and discharge of their duties.

### **CORPORATE GOVERNANCE**

Effective corporate governance practice constitutes the strong foundation on which successful commercial enterprises are built to last. The Company's philosophy on corporate governance superintends business strategies and ensures accountability, ethical corporate behaviour and fairness to all stakeholders comprising regulators, employees, customers, vendors, and the society at large. The Company is committed to continuously adopt and adhere to the best governance practices to achieve the goal of becoming a value driven organization.

The Company has embraced ethical, transparent, accountable conduct creating a culture where Directors and employees have been empowered to bring any wrongful conduct to notice. The Company will continue to focus its resources, strategies, and strengths to achieve its vision of becoming a leading financial service Company in India.

### **NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS**

During the year under review, the Company has convened 5(five) meetings of the Board of Directors on the following dates, which met the statutory requirements:

1. June 18, 2021
2. September 20, 2021
3. September 24, 2021
4. December 10, 2021
5. February 24, 2022

The intervening period between the Board Meetings were within the maximum time gap of 120 days as permissible under the Companies Act, 2013.

The dates for the Board meetings are fixed in advance and agenda and briefing papers for the meetings are circulated to the Directors seven days in advance to such meetings. Each meeting agenda item is provided with sufficient background, and all material information is incorporated in the agenda papers to facilitate meaningful and informed discussions at the meeting. Where it is not practicable to attach any document to the agenda papers,

it is tabled at the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted with the permission of the Chairman of the meeting.

During the year under review, Fifteenth Annual General Meeting of the Company was held on August 20, 2021 and Seventh Extraordinary General Meeting of the Company was held on October 25, 2021.

### **COMMITTEES OF THE COMPANY**

During the period under review, the Company had the following statutory and non-statutory Committees of the Board and the senior management of the Company:

#### **1. Audit Committee:**

##### **Composition:**

The composition of the Audit Committee as on March 31, 2022 is given below:

- (a) Mr. Rajinder Singh – Chairman; and
- (b) Mr. Harun Rasid Khan – Member

Due to the change in Nominee Director of NHB (shareholder of the Company), the Audit Committee had only two members during the financial year and the third member who is also a Chartered Accountant, Mr. Aditya Hemant Joshi (DIN: 08684627) was appointed to the Audit Committee on 9<sup>th</sup> June, 2022. All the items of the Audit Committee were being taken up by the Board in the absence of a duly constituted Audit Committee during the year. This has been duly informed to the RBI.

**Function:** The functions of Audit Committee are as follows:

- the recommendation for appointment, remuneration and terms of appointment of auditors of the Company;
- review and monitor the auditor's independence and performance, and effectiveness of audit process;
- examination of the financial statement and auditor's report thereon;
- Management discussion and analysis of financial conditions and results of operations.
- Review of annual financial statements with the Chief Financial Officer and the Management before submission to the Board for approval, with particular reference to:-
  1. Matters required to be included in the Directors Responsibility Statement
  2. Changes, if any in the accounting policies and practices and rational for the same
  3. Significant changes, if any, in the financial statements arising out of audit findings
  4. Compliance with listing and other legal requirements relating to financial statements
- Qualification, if any of the draft Audit Report;
- Review of all budgets and financial plans;
- Capital Calls, review of dividends and distribution to the shareholders
- Provisioning;
- approval or any subsequent modification of transactions of the company with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the company, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- monitoring the end use of funds raised through public offers and related matters;
- Monitoring Regulatory Compliances;
- Look into defaults in the payment to the shareholders, debenture holders, if any and the Creditors;
- Remuneration (Covering increments, variable incentive compensations, benchmarking etc.);
- Complaints (external customers and internal HR);
  1. Whistle Blower
  2. Ombudsman reporting
- Pre-approval of non-audit services;

- 
- Review of expenses of officers of the Company;
  - Any Complaint against CEO of the Company and his/her direct reports to be sent to the Chairman of the Audit Committee; and
  - any other responsibility as may be assigned by the Board from time to time.

## 2. **Technical Committee:**

### Composition:

The composition of the Technical Committee as on March 31, 2022 is given below:

- (a) Mr. Stuart Edward Take – Chairman;
- (b) Mr. Raj Vikash Verma – Member; and
- (c) Mr. Rajinder Singh - Member

Function: The functions of the Technical Committee are as follows:

1. Review of a three (3) year business plan on an annual basis.
2. Review of annual Transition Services support as recommended by the management team.
3. Review Information Technology strategy and operating plan.
4. Review the reputational risk management strategy including Public Relations.
5. Approve assumptions used for pricing, business plan projections, economic capital projections, and valuations.
6. Approve product underwriting guidelines and pricing.
7. Approve business risk appetite limits and any exception requests.
8. Review the asset liability mismatch.
9. To review the pricing of products.

## 3. **Bank Committee:**

### Composition:

The composition of the Bank Committee as on March 31, 2022 is given below:

- (a) Mr. Mahesh Misra (CEO) – Chairman;
- (b) Mr. Amit Bhachawat (CFO)– Member; and
- (c) Mr. Shrikant Shrivastava (CRO) - Member

Function: The Bank Committee was formed with the senior management of the Company on June 10, 2019 for the following purposes:

- i) To take all necessary steps to open and maintain bank accounts, bank lockers of the Company;
- ii) To monitor and handle all administrative functions for effective operation of bank accounts of the Company.
- iii) To approve amendments in the authorised signatory(ies) including their authorization limits of the bank accounts of the Company and to take all necessary actions and steps to inform respective Banks regarding changes, if any;
- iv) To take all necessary steps to close bank accounts, bank lockers of the company, if considered expedient in the interest of the company; and
- v) Any other responsibility as may be assigned by the Board from time to time.

### **COMMITTEE MEETINGS**

Table containing details of meetings of Committees along with dates are as below:

<b>S No.</b>	<b>Name of the Committee</b>	<b>No. of Meetings</b>	<b>Date of meetings</b>
1.	Audit Committee	N.A.	No meeting held during the Financial Year 2021-2022 due to Audit committee not being duly constituted.
2.	Technical Committee	4 (Four)	June 17, 2021, September 23, 2021, December 09, 2021 and February 23, 2022.
3.	Bank Committee	1 (One)	June 04, 2021.

### **ATTENDANCE OF DIRECTORS/MEMBERS AT BOARD AND COMMITTEE MEETINGS**

In accordance with Standard 9 of the Secretarial Standards on Meetings of the Board of Directors ('SS-1'), issued by the Institute of Company Secretaries of India ('ICSI'), the attendance of Directors at Board and Committee meetings held during the financial year 2021-2022 is tabled as under:

	<b>Board</b>	<b>Audit</b>	<b>Technical</b>
Mr. Harun Rasid Khan	5	-	-
Mr. Stuart Edward Take	5	-	4
Mr. Rajinder Singh	4	-	4
Mr. Raj Vikash Verma	5	-	4
Mr. Srinivasan Sridhar	5	-	-
Mr. Rahul Bhawe	4	-	-

### **INTERNAL AUDIT AND INTERNAL FINANCIAL CONTROL**

Your Company has aligned its current systems of internal financial control with the requirements of the Companies Act. The Company is continuing to monitor the efficacy of internal controls through a comprehensive Internal Control Framework which has been designed to ensure transparency and accountability by the different stakeholders of the Company. The Internal Control Framework is commensurate with the nature, size and complexity of the business. During the year under review, the Company has engaged KPMG for assisting in the internal audit process. The Internal Auditors have reviewed the system of internal controls implemented in the organization and tested for effectiveness of the controls. For the year under review, the scope included review of controls over Credit Origination and Underwriting, Invoicing, Claims Settlement, Treasury Management, Finance and Accounts, Portfolio Monitoring, Legal and Secretarial compliances, Administration and Procurement, Regulatory Compliances, HR and payroll, Information Technology and General Controls (ITGC) over IT systems used by the Company. Based on the internal audit reports process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions thereon are presented to the Board. During the year under review, a satisfactory opinion has been provided on the internal controls of the Company.

### **STATUTORY AUDITORS**

The Reserve Bank of India (RBI) has issued guidelines on appointment of statutory auditors by Non-Banking Financial Company (NBFC) vide Circular RBI/2021-22/25 Ref. No.DOS.CD.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 (RBI Guidelines). Due to the said RBI Guidelines, M/s. Deloitte Haskins & Sells LLP, Statutory Auditors of the Company resigned from the post of Statutory Auditors of the Company on 20<sup>th</sup> August, 2021. M/s. SCV & Co. LLP, Chartered Accountants, (FRN: 000235N/N500089) were appointed as the Statutory Auditors of the Company at the 7<sup>th</sup> Extraordinary General Meeting held on October 25, 2021 to fill the casual vacancy caused by the resignation of M/s Deloitte Haskins & Sells LLP, Chartered Accountants (FRN: 117366W/W-100018), to conduct the audit for the period ended as on 31st March 2022 and shall hold



the office as Statutory Auditors from the conclusion of 7<sup>th</sup> Extraordinary General Meeting till the conclusion of ensuing Annual General Meeting of the Company. Accordingly, the Company proposes to appoint M/s. SCV & Co. LLP, Chartered Accountants, as the Statutory Auditors of the Company for a term of 5(five) years from FY 2022-23 to 2027-28 at the ensuing Annual General Meeting of the Company subject to approval by the shareholders of the Company.

#### **COST AUDITOR AND COST AUDIT REPORT**

Keeping in view the operations of the Company, the provisions pertaining to appointment of cost auditor and maintenance of cost audit records as specified under Section 148 and related rules issued thereon, are not applicable on the Company.

#### **RELATED PARTY TRANSACTIONS**

The Company has not entered into any related party transactions as per the provisions of Section 188 of the Companies Act, 2013. The details of particulars of contracts or arrangement or transactions with related parties is provided in Form AOC 2 and enclosed herewith as **Annexure - I**.

#### **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

The Company being a Non-Banking Financial Company registered with RBI is exempted from provisions of Section 186 of the Companies Act, 2013("Act"). Accordingly, there are no details of particulars of loans, guarantees or investments that are required to be provided as per Section 134(3)(g) of the Act.

#### **CORPORATE SOCIAL RESPONSIBILITY**

The provisions of Corporate Social Responsibility as specified under Section 135 of the Companies Act, 2013 are not applicable on the Company.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirement under section 134(5) of the Companies Act, 2013, with respect to the Directors' Responsibility Statement, the Board of Directors hereby confirms that:

- (a) in the preparation of the Annual Accounts for the financial year ended March 31, 2022, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- (b) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2022 and of the profit or loss of the Company for the year under review.
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) the Directors had prepared the Annual Accounts for the financial year ended March 31, 2022 on a going concern basis.
- (e) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **AUDITORS' REPORT**

The Auditors' Report to the shareholders does not contain any qualification, reservation or adverse remark. The observations of the Auditors in their report read together with the Notes on Accounts are self-explanatory and, therefore, in the opinion of the Directors, do not call for any further explanation. Further, there were no frauds reported by the Statutory Auditors to the Board.



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#### **FRAUD, IF ANY REPORTED BY THE AUDITORS**

The Company has not encountered any fraud and no such fraudulent activity have been reported by the Statutory Auditors of the Company in their report for the financial year ended on March 31, 2022 under Section 143(12) of the Companies Act, 2013.

#### **ANNUAL RETURN**

In compliance with the sections 134(3)(a) and 92(3) of the Companies Act, 2013 read with rule 12(1) of the Companies (Management and Administration) Rules, 2014, a copy of the Annual Return of the Company is available on the website of the Company; the web-link to access the annual return is as follows:

<https://www.imgc.com/media/1484/mgt-7.pdf>

#### **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

Even though operations of the Company are not energy intensive, the management has been highly conscious of the importance of conservation of energy and technology absorption at all operational levels and efforts are made in this direction on a continuous basis. In view of the nature of activities which are being carried on by the Company, the particulars as prescribed under Section 134(3)(m) of the Act read with rule 8 of the Companies (Accounts) Rules, 2014 regarding Conservation of Energy and Technology Absorption are not applicable to the Company and hence have not been provided.

#### **FOREIGN EXCHANGE EARNINGS AND OUTGO**

The Company has not earned any foreign exchange during the year under review. The expenditure in foreign currency for the year under review is INR 10.56 lakhs

#### **DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT THE WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

Your Company is committed to ensure safe and secure environment for women employees of the Company at all levels and at all offices of the Company.

The Company has in place a policy which is in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has complied with the provisions relating to the constitution of Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Your Directors further state that during the year under review, there were no complaints received/cases filed/ cases pending under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

#### **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

There were no significant material orders passed by regulators or courts or tribunal impacting the Company's going concern status and operations in future.

#### **MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT**

There have been no material changes and commitments, which affect the financial position of the Company which have occurred between the end of the financial year to which the financial statements relate and the date of this Report.

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### **RISK MANAGEMENT POLICY**

The key risks that the Company is exposed to in the course of its business are Credit Risk, Operational Risk, Liquidity Risk and Business Risk. Keeping this in mind, the Board of Directors has defined a risk management framework for the Company, which provides for identification, assessment and control of risks, which may threaten the existence of the Company. Implementation of this framework is supervised by the Corporate Risk Committee (CRC). The committee periodically reviews risk levels and direction, portfolio composition, credit policies and claims status.

The Company, through its Risk Appetite Statement and Board Approved Policy, presents an enterprise-wide approach to conduct its business. The Company has also formed appropriate risk committees and sub-committees with clearly defined roles, responsibilities and accountabilities to establish a strong governance structure. The Company has also established an internal audit and control framework, wherein all key activities are audited regularly, and key findings are presented to the Board. The Company is committed to using Enterprise Risk Management as a critical framework for successful decision-making.

To improve the risk management framework, Company has framed a detailed Business Continuity Plan (BCP) and Stress Testing and Liquidity Management (STLM) framework. BCP enabled the Company in ensuring continuity of operations during disruptions caused by the covid -19 pandemic. The Company has also initiated the process of Stress Tests every year on its portfolio. This will help us in maintaining sufficient liquidity levels for future claims. The Company has also created a downturn playbook framework, which aims to understand the current economic situation, monitor key internal portfolio metrics and financial indicators, assess the risk of a downturn, and identify preparatory actions and mitigation action plans.

### **ACKNOWLEDGEMENT**

Your Directors thank the Reserve Bank of India for its valuable guidance and look forward to its continued support. Your Directors also wish to place on record their deep sense of gratitude and appreciation for the commitment displayed by all the employees of the Company, resulting in the successful performance of the Company during the year under review. The Directors look forward to their continued support in the future.

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from the customers, shareholders and other business associates who have extended their valuable sustained support and encouragement during the year under review.

**For and on behalf of the Board of Directors**

**Place: Noida**  
**Date: June 22, 2022**



**Raj Vikash Verma**  
**Director**  
**DIN:03546341**



**Harun Rasid Khan**  
**Director**  
**DIN: 07456806**





## FORM NO. AOC.2

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

Form for disclosure of particulars of contracts/arrangements entered by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. Details of contracts or arrangements or transactions not at arm's length basis: **NIL**
  - a) Name(s) of the related party and nature of relationship
  - b) Nature of contracts/arrangements/transactions
  - c) Duration of the contracts/arrangements/transactions
  - d) Salient terms of the contracts or arrangements or transactions including the value, if any
  - e) Justification for entering into such contracts or arrangements or transactions
  - f) Date of approval by the Board
  - g) Amount paid as advances, if any:
  - h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188
  
2. Details of material contracts or arrangement or transactions at arm's length basis: **NIL**
  - a) Name(s) of the related party and nature of relationship
  - b) Nature of contracts/arrangements/transactions
  - c) Duration of the contracts/arrangements/transactions
  - d) Salient terms of the contracts or arrangements or transactions including the value, if any:
  - e) Date(s) of approval by the Board, if any:
  - f) Amount paid as advances, if any:

**For and on behalf of the Board of Directors**

Place: Noida  
Date: June 22, 2022

**Raj Vikash Verma**  
Director  
DIN:03546341

**Harun Rasid Khan**  
Director  
DIN: 07456806